

VZCZCXYZ0002
OO RUEHWEB

DE RUEHUNV #0024/01 0221624
ZNY CCCCC ZZH
O 221624Z JAN 09
FM USMISSION UNVIE VIENNA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 8921
RHEBAAA/DOE WASHDC IMMEDIATE
INFO RUEHII/VIENNA IAEA POSTS COLLECTIVE PRIORITY
RUEANFA/NRC WASHDC PRIORITY

C O N F I D E N T I A L UNVIE VIENNA 000024

SIPDIS

STATE FOR T - TIMBIE, ISN/NESS, IO/T, ISN/MNSA
DOE FOR NA-24 SCHEINMANN, GOOREVICH, SYLVESTER;
NE-6 MCGUINNESS

E.O. 12958: DECL: 01/21/2014
TAGS: [ENRG](#) [TRGY](#) [PREL](#) [IAEA](#) [RS](#)
SUBJECT: IAEA/RANF: PROGRESS WITH RUSSIA ON ASSURED FUEL
SUPPLY, BUT ELBARADEI WARY ON BOARD CONSIDERATION OF THE
FUEL BANK

REF: A. 08 UNVIE 605
[1](#)B. UNVIE 0005

Classified By: Ambassador Gregory L. Schulte, reasons 1.4 (b) and (d)

[1](#)1. (SBU) The IAEA reports privately it is progressing toward
concluding an agreement with Russia on the supply of LEU and
on arranging the mechanics of an IAEA-administered fuel bank.

IAEA Reserve at Angarsk Enrichment Center

[1](#)2. (C) The IAEA's head of verification and security policy
coordination, Tariq Rauf, told IAEACouns:

-- The IAEA and Russia are nearing completion of their legal
agreement and the separate, underlying commercial contract.
Rauf intends that meetings in Vienna in the first week of
February and in Moscow the following week will bring this
two-year negotiation to a successful close.

-- The legal agreement sets out mechanisms and obligations
under which the IAEA could secure a requested amount of LEU
reactor fuel, loaded aboard a ship in the port of St.
Petersburg and fully licensed for export and transfer to IAEA
control and transfer to a known recipient. The commercial
agreement provides for mechanisms and assurance that the
Russian supplier would get its agreed price for the LEU from
the recipient state through the hands of the IAEA. It also
provides arrangements that the IAEA would not be liable for
the cost of shipped LEU in the circumstance that a customer
country withdraws from an initiated transfer.

-- Regarding the criteria for countries to be eligible to
receive Angarsk-sourced LEU, Rauf asserted that the Russian
president's office had intervened to advance the
negotiations. The Russian MFA position, he said, had been to
require that Angarsk LEU may be transferred by the IAEA only
to states that were "non-nuclear weapons state signatories of
the NPT." As reported ref a, the IAEA position has been to
provide universal eligibility for IAEA Member States. The
compromise language under discussion would not cite the NPT
but require that (1) transferred material go only to the
reactor for which commercial fuel supply had been
unavailable, i.e., into the specific power plant for which
the consumer country made its request to the IAEA, and (2) it
must be placed under safeguards.

International Nuclear Fuel Bank

¶3. (C) Regarding the development of a fuel bank, Rauf said his office was prevailing on DG ElBaradei to aim for presentation of the concept for approval in the June IAEA Board meeting. To make progress on this "legacy" project, Rauf said, EXPO was arguing to ElBaradei not to hold off until September, as he told Ambassador he was inclined to do (ref b).

¶4. (C) Rauf acknowledged that under prevailing euro/USD exchange rates the recent EU pledge of 25 million euros left the IAEA short of the USD 150 million target stipulated in the Nuclear Threat Initiative's (NTI) challenge grant. He stated the IAEA was trying to persuade the Government of Kuwait to match the USD 10 million pledge offered by the United Arab Emirates to funding the fuel bank.

¶5. (SBU) On the USG's fuel bank donation of USD 50 million, Mission is working with the IAEA to expedite the exchange of the signed statement of work and the bank information to effect the transfer of funds.

ElBaradei Remains Circumspect

¶6. (SBU) The IAEA has effectively retreated from co-sponsorship of the Japanese Mission's January 26 seminar on global fuel supply, where Rauf would have liked to announce the U.S. funds transfer. Japan had asked EXPO to make a presentation on the outlines of various national proposals for fuel assurance mechanisms, but after initial agreement was informed by the IAEA that presentation would not be offered. Instead, the sole IAEA official on the speakers program is Hans Forsstroem, director of the division

of nuclear fuel supply and waste technology, providing "background information" on uranium sourcing, future demand, and power plant systems. The conscious avoidance of terms such as "fuel supply assurances" throughout the program is at IAEA request. The Agency's posture toward this Vienna seminar is consistent with ElBaradei's "unavailability" for the March 17-18 conference planned by the United Kingdom as a follow up to the April 2008 Berlin conference on fuel supply.

The UK Mission approached ElBaradei's office with three-month lead time to secure his participation in London this coming March, but was rebuffed on the grounds of the DG's travel commitments.

¶7. (C) How the Secretariat and Board will use the remaining Board meetings in ElBaradei's tenure to progress on fuel assurances remains unclear. Romanian Ambassador and Board

Vice Chair Feruta told Ambassador Schulte it was possible that Board Chairwoman Feroukhi (Algeria) may put the fuel bank issue on the March agenda for discussion at the request of "several" Member States. Feruta opined that the EU had confirmed its 25 million euros pledge since the last Board meeting and ought to find an occasion to talk about it.

¶8. (C) Comment: EXPO continues to harbor hope that the internationalization of the fuel cycle is such a compelling nonproliferation concept that the U.S. will engage others in the NSG and IAEA Board to reconcile with ElBaradei's principle of universal eligibility to a fuel bank. That EXPO can even persuade ElBaradei to seek in June formal Board acceptance of the NTI and other donated funds and authorization to progress on detailed arrangements is not clear. When approached, ElBaradei continues to put the onus on supportive Member States to improve the atmosphere and bring along the skeptics of his legacy project. End Comment. SCHULTE